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2 UNITED STATES DISTRICT COURT

3 SOUTHERN DISTRICT OF NEW YORK

4 -----X

5 ARGO TURBOSERVE CORPORATION,

6 Plaintiff,

7 -against- Case No. 07 CIV 8410

8 DEAN ANGELLE AND DENISE ANGELLE,

9 Defendants.

10 -----X

11 110 East 59th Street

12 New York, New York

13

14 February 15, 2008

15 9:15 A.M.

16

17 VIDEOTAPE DEPOSITION OF ARGO

18 TURBOSERVE CORPORATION by WAYNE ACKERMAN,

19 taken pursuant to the Federal Rules of Civil

20 Procedure, and Notice, held at the

21 above-mentioned time and place before

22 Victoria Gilgurd-Karen, a Notary Public of

23 the State of New York.

24

25

1 W. Ackerman
2 million, five or -- was it a million? It
3 needed another million, and they said okay.
4 We will give it to you. Even though you
5 don't have the collateral assets to support
6 it directly, we'll give it to you as a
7 self-amortizing term note payable over
8 24 months collateralized by the future cash
9 flow of D&D Pipe.

10 Q. That's why you call it overline?

11 A. Overline, right.

12 Q. Let's just stay on the overline.
13 So there was a million dollar amount beyond
14 the original existing at the time line of
15 credit that ATC had at Wells Fargo that
16 Wells Fargo gave as a loan to ATC to help
17 ATC purchase D&D stock, right?

18 A. Correct.

19 Q. And that's one item, right, of
20 the damages?

21 A. Uh-huh.

22 Q. Let's go to the second item in
23 the order that you gave me. You said there
24 was \$2.2 million borrowed from owners to
25 purchase D&D Pipe and finance losses. I got

1 W. Ackerman

2 that right?

3 A. Correct.

4 Q. Who were the owners?

5 A. Steven and Lisa Callichio.

6 Q. That's Mr. Callichio that I have
7 been referring to?

8 A. I believe the Mr. Callichio is
9 the father. These are the two children.

10 Q. So the 2.2 million were borrowed
11 from the children of Mr. Callichio?

12 A. Originally, they were borrowed
13 from the children.

14 Q. And borrowed by ATC?

15 A. I don't recall if it was borrowed
16 by D&D or borrowed by ATC.

17 Q. And you said originally by the
18 children. Did that change?

19 A. At one point due to some family
20 estate planning, that obligation was moved
21 from the children to one of their companies
22 and eventually was -- when that estate
23 planning got -- whenever the estate planning
24 knew more, they put it back in the name of
25 the children.

1 W. Ackerman

2 while you were there, those interest
3 payments were charged to D&D Pipe?

4 A. Correct.

5 Q. So a loan that ATC took to buy
6 D&D Pipe, D&D Pipe is servicing the interest
7 payment debt?

8 A. Correct.

9 Q. Okay. What was the -- I will
10 take it either way -- monthly or annual
11 amount of the interest payment for that
12 \$2.2 million?

13 A. Initially for the first 18
14 months, it was 1.5 million.

15 Q. A year?

16 A. I don't recall when they began
17 funding losses, but for a minimum of the
18 first year and probably 18 months, that
19 amount was 1.5 million because that's the
20 amount that the shareholders put in. I
21 believe that interest rate was at ten
22 percent, so if you do the math, \$150,000
23 divided by 12 is about --

24 Q. It's \$150,000 a year?

25 A. Yes.

1 W. Ackerman

2 Let me ask you this. Was it
3 before you got there in September of '06?

4 A. No. It probably began in March
5 or April of '07.

6 Q. Mr. Ackerman, I know you were not
7 there in late '05 and early '06 when the
8 negotiations and the ultimate closing of
9 this stock sale was done, correct?

10 A. Correct.

11 Q. All right. Have you seen any
12 documentation, any, sir, where the Angelles
13 were told that out of the cash flow of D&D
14 Pipe after the sale of stock was done, that
15 out of that D&D Pipe cash flow, the purchase
16 price or part of the purchase price of
17 \$2.2 million would be serviced?

18 A. I don't recall seeing that.

19 Q. I think you agree with me that if
20 it's ten percent and it's a million and a
21 half or if it's ten percent and it's 2.2
22 million, somewhere between \$150,000 and
23 \$220,000 a year is what it took to service
24 that debt with interest payments, right?

25 A. Correct.

1 W. Ackerman

2 Q. And if D&D Pipe was not paying
3 that, that would have left that amount of
4 money for D&D Pipe to use for other
5 purposes, correct?

6 A. Correct.

7 Q. When you say finance losses, what
8 do you mean? Income versus expenses on a
9 monthly basis?

10 A. Cash flow losses.

11 Q. Part of the cash flow would
12 include the insurance payments that we
13 talked about earlier this morning, right?

14 A. Not if it was paid by Argo
15 Turboserve and charged to D&D through
16 intercompany, it wouldn't.

17 Q. Why not?

18 A. If Argo Turboserve made a \$30,000
19 insurance company payment for the premiums
20 of D&D Pipe, the check would come out of the
21 Argo Turbo line. The expense, if it was
22 directly associated with D&D, if it was
23 general liability and building and property,
24 would get charged to the D&D P and L.

25 Q. So it would be on the D&D balance

1 W. Ackerman

2 million portion, who paid the interest.

3 Q. You're going to keep with -- let
4 me make sure the record is real clear,

5 Mr. Ackerman, because I was conferring with
6 my client when Mr. Cohen made a statement
7 and then you followed up, and I missed it.

8 D&D Pipe paid the interest on the
9 million dollar overline advance, right?

10 A. Correct.

11 Q. D&D Pipe paid the interest on the
12 initial 1.5 million, and it went up to 2.2
13 million borrowed from Mr. Callichio's kids
14 who were the shareholders in ATC, right?

15 A. Correct.

16 Q. D&D Pipe paid the interest on the
17 million and a half working capital line that
18 D&D Pipe had itself from Wells Fargo, right?

19 A. Correct.

20 Q. The other million dollars that
21 was within the original ATC line of credit,
22 you're not sure if D&D Pipe paid that
23 interest?

24 A. Correct.

25 Q. The next item you have of alleged